



Housing Methodology Committee

Bay Conservation and Development Commission (BCDC)

50 California Street, 26th Floor

San Francisco, CA

Meeting – March 22, 2007

10:00 a.m. - 12:00 noon

Time (approx.)

1. **CALL TO ORDER/INTRODUCTIONS**
2. **DETERMINATION OF REGIONAL HOUSING NEED *** **30 minutes**
Staff will provide status report on their negotiations with state (HCD) on determination of region's 2007-20014 housing need. Once determined, total regional need will be allocated to jurisdictions using recently adopted methodology.
3. **State and Regional Housing Incentives *** **40 Minutes**
Staff will provide update on housing related incentives being pursued by region. Region is working to prioritize distribution of discretionary transportation dollars and newly available state bond monies to jurisdictions assigned relatively higher RHNA allocations, as well as to areas designated "regional priority areas," as negotiated via the FOCUS effort.
4. **Regional Housing Program *** **30 Minutes**
Staff will share their ideas for a long-term "regional housing program." Committee feedback on these ideas will be sought. HMC will also be asked to play long term role in implementing regional housing program, potentially as a housing advisory subcommittee to ABAG's Regional Planning Committee (RPC), pending RPC and ABAG Executive Board support.
5. **Subregion Update** **15 Minutes**
6. **Public Comment** **5 Minutes**
7. **Adjournment**

Post - Meeting Lunch:

Noon – 12:45 p. m.

* Posted to web site

MEMO

To: Housing Methodology Committee (HMC)
From: ABAG Staff
Date: March 20, 2007
Subject: Determining the Regional Housing Need

Overview

ABAG staff is working with staff from the State Department of Housing and Community Development (HCD) to determine the Bay Area's housing need for the 2007-2014 period. The process of determining the regional need includes an analysis of both regional and state projections. RHNA legislation outlines how the analysis is to be performed. HCD, however, retains authority over the final determination of the region's housing need. Discussions should conclude by late March.

The determination of the regional need begins with ABAG submitting to HCD its 2007-2014 regional household projections, along with an analysis of the state Department of Finance's projections. In the past, DOF's projections have been used to determine the regional housing need. However, for this RHNA cycle, the region's projections are to be the starting point, with comparisons made to DOF's projections. The primary reason for this change, as stated in the RHNA legislation, is to achieve greater consistency between housing and transportation planning in the region.

Components of the Regional Housing Need

The regional housing need is divided into two parts—the existing need and the projected need. While existing need is the same for each agency, ABAG and DOF differ in their assumptions regarding the projected need.

Existing Need

Existing need is based on state estimates of total households in 2005, plus growth during 2006. A vacancy rate of 5 percent for renters and 1.8 percent for owners is applied to arrive at a vacancy goal (95,395). The total existing housing need of 1,984 units is derived from subtracting existing vacancies (93,411) from the vacancy goal. Both ABAG and DOF use this total to determine “existing housing need.”

Projected Need

Projected need is determined by household growth in the region. Household growth is determined by the components of population growth: 1) birth or natural increase; 2) migration and 3) household formation rates. ABAG and DOF assumptions regarding birth and migration are fairly consistent. However, each agency uses different assumptions regarding household formation or headship rates. Under DOF assumptions, household growth for the region is marginally higher than what is projected by ABAG. This is because DOF assumes relatively higher rates of household formation.

Determining the Regional Need

As stated above, the difference in ABAG and DOF forecasts for household population, and therefore the regional housing need is primarily due to estimates of headship rates. Headship rates are used to translate population forecasts into estimates of occupied housing units, or total households. ABAG's methodology for establishing the number of households is to use a ratio of housing units to total population. The state uses detailed headship rates to make their determination of household population. State legislation requires that headship rates be used to determine regional housing needs.

Therefore, ABAG and DOF staffs are currently reviewing the state's estimated headship rates used in their household population forecasts for the region. We are confident that, in working together, both agencies will come to an agreement regarding the appropriate headship rate to use in portraying household formation in the region.

Final Determination of Need

ABAG and HCD are continuing to discuss the differing assumptions regarding the region's household projections, specifically headship rates. HCD has been responsive to ABAG's comments, as they appreciate ABAG staff's knowledge and expertise in regards to regional population and household forecasts. A final decision by HCD on the region's housing need is expected by late March.

M E M O

To: Housing Methodology Committee
From: Association of Bay Area Governments (ABAG) Staff
Date: March 19, 2007
Re: Draft ABAG Housing Program 2007

Summary

The purpose of this memo is to outline some ideas for activities that ABAG could undertake as part of a regional housing program. Proposed components of the housing program would broaden ABAG's partnerships with public, non-profit, and private sector agencies. In particular, the housing program is proposed to include: an annual housing conference and report, technical and outreach assistance, and incentives for regional priority areas (FOCUS).

ABAG staff would like to receive the committee's feedback about the proposed activities and suggestions for other housing-related activities that could benefit local governments. We would also like input on the proposed Housing Methodology Committee role in the regional housing program.

Housing Conference 2007

ABAG is planning to hold its first annual housing conference, which is scheduled for June 28, 2007. The conference is part of efforts to expand the scope of ABAG's housing activities and to develop stronger relationships with community stakeholders. Over the past year, ABAG staff has been working with several Bay Area non-profit organizations that are interested in smart growth issues to explore opportunities for them to participate in ABAG's housing activities.

One element of the housing conference would be the release of the second edition of ABAG's annual housing report (see below). In addition, other potential subjects include information about recent local successes and a "how-to" workshop component. In developing the content for the conference, it is important to avoid duplication of ABAG's Spring General Assembly, which will discuss FOCUS, and the transit-oriented development (TOD) marketplace, where local land use plans are presented to a team of developers who offer insights on implementation feasibility.

Annual Housing Report

To build on the success of ABAG's housing report, *A Place to Call Home*, staff is planning to release a second version at the June 2007 housing conference. The most substantial change to the report is the addition of information about the current Regional Housing Needs Allocation (RHNA) process and its relationship to the region's FOCUS effort.

Based on the RHNA schedule, this edition of the report would include the draft allocations, which are expected to be released at the ABAG Executive Board Meeting in May. By including this information about RHNA, the 2007 housing report would be a substitute for ABAG's document about the previous RHNA cycle, the *Regional Housing Needs Determination for the San Francisco Bay Area: 2001-2006 Housing Element Cycle*.

Other ideas for updating the content of the report include adding information about financial incentives for housing, inclusionary housing best practices, and examples of local housing solutions. The report might also be an opportunity to develop and calculate some local and regional indicators to measure progress toward the region's goals for growth.

Housing Outreach and Technical Assistance

During the 1999-2006 RHNA cycle, ABAG produced *Blueprint 2001: Housing Element Ideas and Solutions for a Sustainable and Affordable Future*. The report provided local governments with an overview of housing element law, ideas about community engagement, information about financial incentives for housing, and a wide variety of programs and strategies for increasing housing choices in the region. As part of the housing program, ABAG is considering updating this document to reflect changes in housing element law and to provide new examples of housing activities and programs that would assist Bay Area local governments in meeting their housing goals. If undertaken as a task, it is expected that this document would be completed in the spring of 2008, in time for local governments to work on updating their housing elements.

In addition to updating this document, ABAG is considering a conference series in 2008 that would provide training sessions to local government staff and elected officials. Potential topics include strategies for housing element updates, interacting with HCD, communicating about land use and development issues, and working with community groups and the public.

Regional Priority Areas (FOCUS)

ABAG is currently engaged in a multi-agency regional planning effort, called FOCUS, to identify both development and conservation "priority" areas. The goal is to promote growth in existing communities, near transit and job centers, and to support conservation of key natural resource areas—the same objectives that were incorporated into the RHNA methodology.

Once priority areas are defined, grants and additional outreach and technical assistance will be directed to them to facilitate housing development. This is consistent with the directive adopted as part of the RHNA methodology to direct state and regional incentives to those jurisdictions that will receive large RHNA allocations. The incentives being considered at this stage include money from the state-wide infrastructure bonds and funding from the Regional Transportation Plan. (See Agenda Item 2)

Role of the Housing Methodology Committee (HMC)

Several members of the HMC have expressed an interest in continuing to meet as a way to assist in the implementation of the regional housing program. In order to achieve this goal, the HMC could potentially become a housing advisory committee to ABAG's Regional Planning Committee (RPC). This option would have to be discussed and approved by both the RPC and ABAG's Executive Board.

M E M O

To: Housing Methodology Committee (HMC)
From: Association of Bay Area Governments (ABAG) Staff
Date: March 19, 2007
Subject: State and Regional Housing Incentives

Background

To support housing development, the regional agencies (“region”) are working to develop an incentive package, for both planning and capital improvements. These funds would be prioritized to go to regionally adopted, and locally agreed to, “priority development areas.” The largest source of funds currently being explored are recently approved state bond monies and the region’s discretionary transportation dollars - distributed throughout the region by the Metropolitan Transportation Commission. The region is also exploring technical/outreach assistance as an incentive to local governments.

Regional Priority Areas

ABAG is currently leading a multi-agency regional planning effort with the Metropolitan Transportation Commission (MTC) and the Air District (BAAQMD), called FOCUS, to identify both development and conservation “priority” areas. The goal is to promote growth in existing communities, near transit and job centers, and to support conservation of key natural resource areas—the same objectives that were incorporated into the Regional Housing Needs Allocation (RHNA) methodology.

Once priority areas are defined, financial incentives, capital and planning grants and additional outreach and technical assistance will be directed to them. This is consistent with the directive adopted as part of the RHNA methodology - to direct state and regional incentives to those jurisdictions that will receive large RHNA allocations.

The notion of “priority” areas is also crucial, for it is imperative that any available incentive monies be used to set examples and achieve real results. With limited state and regional funds, it will be impossible to support all good projects. Therefore, the regional agencies believe that incentives will be most beneficial if incentives are directed to outstanding example priority development areas in willing jurisdictions with transit infrastructure and a plan or a willingness to plan for housing development in mixed-use, infill areas.

Applying for Priority Area Designation

All local jurisdictions in the Bay Area will have the opportunity to apply for a priority area designations. Some minimum criteria will exist to establish a threshold that applicants must meet for eligibility, including that a proposed priority development area is within an existing community, near existing or planned fixed transit or comparable bus service, and is an area that is being planned or is planned for more housing.

Application packets and associated criteria should be available in late April. Submissions will be reviewed from July – September, with regional adoption occurring in October.

State Bond Monies

Recent voter-approved state bond measures, including Propositions 1-B, 1-C, 1-D, 1-E and 84 provide an opportunity to financially support development consistent with local and regional priorities. The region is advocating an approach to distribution of the state bond monies that would align bond funds with local and regional priorities. Development in these areas support common state, regional and local objectives: to promote compact, infill development that supports and revitalize existing communities, maximize transportation efficiency, and conserves land resources. We believe that where regional planning and local work has been done; the state should acknowledge and reward that effort.

The specific bond monies that have the potential to be aligned with regional and local priorities include:

Source	Account	State	Region est.
Prop 1C	Regional Planning, Housing and Infill Incentives	\$850M	\$141.4M
Prop 1C	Transit-oriented Development	\$300M	NA
Prop 1C	Housing-related Parks	\$200M	\$33.3M
Prop 84	Urban Greening	\$90M	\$15.0M
Prop 84	Urban Forestry	\$20M	\$3.3M
Prop 84	Local and Regional Parks	\$400M	\$66.5M
Prop 84	Planning Grants and Loans	\$90M	\$15.0M
	TOTAL	\$1,950M	\$274.5M

Transit Oriented Development Account

All of the above accounts, except the Transit-Oriented Development account, require trailer legislation to determine how funds will be distributed around the state. The Transit-Oriented Development Program is to be administered by the Department of Housing and Community Development. The purpose of TOD program is to provide local assistance for the development of housing near transit. The program will offer \$285 million in loans and grants to cities, counties, transit agencies and developers. The minimum state mandated project selection criteria are that projects increase transit ridership, reduce auto trips, and that the project be located in infill areas, as determined by the Councils of Government (ABAG in the Bay Area). This provides an opportunity for the region to ensure that these areas are consistent with regional priority development areas.

Proposition 1-B

Where there is discretion with Proposition 1-B funds, MTC staff is working to allocate a portion of these funds in accordance with regional priorities, particularly to those areas that will be receiving a higher RHNA allocation over the last cycle. The Population-Based Transit account, with \$347 million assigned to it, is an example of where some discretion is allowed. On March 7th, MTC staff made a proposal to its Programming and Allocations Committee to distribute a portion of these funds to those jurisdiction receiving relatively greater RHNA shares. For example, MTC is proposing that \$100,000 go toward the San Francisco MUNI project to build a subway through Chinatown.

Discretionary Regional Transportation Dollars

The Metropolitan Transportation Commission has recently begun an update of the Regional Transportation Plan. MTC staff is working with ABAG staff and the Joint Policy Committee priority development areas. Discretionary funds available for the 2009 plan total between \$5 - 6 billion. How these funds might be reprogrammed and/or prioritized to align with priority development areas will be a primary consideration as the RTP update process proceeds. In addition to the RTP, MTC will be considering how the Transportation for Livable Communities (TLC) and Housing Incentive Programs (HIP) might be redirected at least in part, toward Priority Development Areas.

Account	State
TLC/HIP Grants	\$500M
TOD Policy	\$1- 2B
Transit Shortfalls	\$1.3B
Local Road Shortfalls	\$1B
Lifeline	\$1B
Regional Bike & Ped Improvements	\$200M
TOTAL	\$5-6B

Technical/Outreach Assistance

In addition to direct financial assistance, the region is exploring ways to offer technical and outreach assistance to local governments, such as photo simulation and a best practices conference and report series. Photo simulations visually demonstrate "before" and "after" renditions for development. This visual tool can be a powerful means to convey how new development may improve the physical character, form, and aesthetics of an existing community. Transit improvements, densities, building facades, streetscape improvements and other pedestrian improvements can be integrated with existing conditions providing the public with an opportunity to see potential, positive changes to their neighborhood.

As successful planning and development examples emerge in the region, regional agencies plan to share these examples, or "best practices," with local governments. The region hopes to provide opportunities for cities to convene and share success stories related to overcoming challenges to infill, pedestrian, and transit-oriented development. This could provide local governments with the necessary tools for performing outreach, development financing, land assembly, and other specific project-level tasks.

Other technical and outreach assistance tools are also being discussed, such as a region and/or state wide public information campaign on the benefits of housing development near transit. Staff looks forward to hearing additional ideas from the HMC members on these, and other ideas, as presented in this report.

California and Its Regions Investing Together for Positive Growth

As we all know, California is projected to experience dramatic increases in population over the next few decades. These millions of new residents will require the construction of additional housing units in virtually all parts of the state, but particularly in urban areas. The recent passage of infrastructure bonds gives the California Legislature a unique opportunity to reward and facilitate the type of development that will help to create a better future in terms of quality of life and the protection of the natural environment.

Shared Objectives

Through recent legislation, the state has put forth a number of objectives for growth and development in the 21st Century.¹ Over the last five years, California's regions, through a variety of visioning and planning exercises — often referred to as regional “blueprints” — have also expressed some common preferences for future development. Together, the state and its regions want to achieve:

- The efficient use of transportation facilities and other infrastructure;
- The provision of more affordable housing choices;
- The revitalization of older neighborhoods, towns, and cities;
- The retention of agricultural land, sensitive habitats, and open space;
- The protection of the environment and the conservation of natural resources, including energy and water;
- The attainment of a high quality of life, shared among all segments of the population.

The San Francisco Bay Area's Smart Growth Vision

The Bay Area's regional agencies have been working for almost seven years to find a way to grow in a smarter direction, consistent with the objectives outlined above. This paper provides some historical context to that effort as well as recommendations for how the Legislature can best leverage the funding provided by the infrastructure bonds to reward and encourage the type of development that will use land more efficiently and encourage greater use of public transportation and other alternatives to driving.

In 2000, the Metropolitan Transportation Commission embarked on its first region wide smart growth visioning effort in partnership with four other regional agencies and the Bay Area Alliance for Sustainable Development (a coalition of 40 organizations representing business, the environment, social equity and government) nonprofit organization).¹ As part of this effort — which can be considered the region's first smart growth “blueprint” — more than 2,000 residents from throughout the region attended workshops held in each of the nine counties to help conceptualize how future growth should occur in their own neighborhoods and the region as a whole. The extensive two-year effort culminated in a *Smart Growth Strategy/Regional Livability Footprint*, a document that lays out a vision of what a smarter future would look like in each of the nine Bay Area counties and what regulatory and legislative changes are needed to help facilitate a new

¹ The Association of Bay Area Governments, the Bay Area Air Quality Management District, the Bay Conservation and Development Commission and the Regional Water Quality Management District.

direction. This vision is reflected in the official regional growth projections used for the Regional Transportation Plan.

Moving From Vision to Implementation

The Smart Growth Strategy could preserve as much as 66,000 acres of open space by 2020 compared to current development trends, while also reducing average weekday driving by as much as 3.6 million miles in 2020, conserving 150,000 gallons of gasoline a day and reducing daily carbon dioxide emissions (the principal greenhouse gas) by 2.9 million pounds per day.

In order to move from vision to implementation, the region is now working to identify priority development areas and to win commitment from all 110 jurisdictions (including 101 cities and nine counties) to take concrete steps to steer growth into these areas. Another goal is to identify open space and other priority conservation areas deserving of protection from future development. This implementation phase, named *Focusing Our Vision* (*FOCUS* for short), is being led by the Association of Bay Area Governments and overseen by the Joint Policy Committee — made up of representatives of ABAG, MTC and the Air District.

MTC's Smart Growth Policies Have Received National Recognition

In addition to participating in these regional efforts, MTC has supported transit oriented development (TOD) projects since 1996, through our award-winning Transportation for Livable Communities Program and Housing Incentive Program. Through 2009, these programs will invest some \$174 million for both planning and capital improvement projects designed to promote TOD. In 2002, the TLC program received awards from the American Metropolitan Planning Organization, the American Lung Association, and the American Association of State Highway and Transportation Officials, 'Smart Moves: Transportation Strategies for Smart Growth' competition, 2002. Going forward, MTC will spend \$27 million annually for these TOD-related grant programs.

Most recently, MTC has taken the bold step of tying discretionary transit funding to smart growth. MTC's landmark TOD Policy, adopted in 2005, conditions transit expansion funds on supportive land use — i.e., adequate housing density — adjacent to the transit facility. The policy affects some \$11 billion in transit investments over the next 25 years and was the recipient of a number of awards in 2006, including a Clean Air Award from Breathe California and a Transportation Planning Excellence Award from the Federal Highway Administration/Federal Transit Administration and the American Planning Association.

Infrastructure Bond Investment Principles

To have maximum impact, bond funds should be distributed with reference to the shared objectives mentioned above and with regard to a core set of investment principles:

1. Create an integrated program.
Propositions 1C and 84 establish a number of accounts to support sustainable communities, transit-oriented development, and infill housing. These are closely related, mutually supportive concepts, and they should be treated as such. The accounts should be administered jointly through a single integrated program to maximize synergy.
2. Respect priorities established by regions.
California is a state of regions. All of the largest regions have undertaken major regional planning efforts. These efforts share a common direction: all emphasize compact, infill

development aimed at supporting and revitalizing existing communities, maximizing transportation efficiency, and conserving land resources. Where regional planning work has been done, the state should acknowledge and reward that effort by (a) allocating for a specified period of time a set proportion of the available funds to the regions that have done the work and (b) creating a clear and direct connection between the priorities established by the regional planning exercises and the distribution of state incentives.

3. Reward inclusive and collaborative planning.

All the regional planning initiatives have been developed through inclusive and collaborative planning processes involving communities and stakeholders. The best local plans are also produced through participatory processes that give all affected parties ownership of the results. The development that the state encourages through incentives is more likely to happen and to be embraced as a positive outcome if it builds upon these collaborative and inclusive efforts.

4. Make big differences.

In total, the state bonds provide billions of dollars in direct investments and incentives. This can make a big difference or almost no difference at all, depending on how the funds are distributed. If they are spread too thinly, they will result in change only at the margins. Bond money needs to be strategically packaged and distributed so as to assist significant plans and projects achieve their tipping points.

5. Set examples.

Noticeable successes should be replicable. With limited funds, it will not be possible to support all good projects. Incentives should be directed first at potential trendsetters. State funds can help to reduce the impediments and risks for those first out of the gate, but may not be as necessary for those who are able to learn from these early successes. To the extent possible, funds should be distributed to maximize learning potential for subsequent plans and projects for which incentives may be more limited.

6. Achieve real results.

Projects and plans should be evaluated first on the basis of short-term, on-the-ground results, such as actual infill housing units added to existing communities.

Role of Regional Agencies

One way to achieve our shared objectives is to administer bond incentives through regional Councils of Government (COGs) and/or regional transportation planning agencies (RTPAs). These agencies develop and implement regional transportation and land-use plans. They are also experienced in making investment decisions for transportation improvement programs, and in at least a few cases (including the Bay Area), already have grants in place consistent with the objectives mentioned above.

In order for the state to assess whether a regional agency may qualify to administer bond incentives, a regional agency must be able to demonstrate it has planning processes in place that are consistent with the shared objectives listed at the beginning of this paper. That demonstration should occur through reference to a body of documented plans, policies, investments and actions. Documentation could include regional transportation plans, regional housing needs allocation methodologies, air quality plans, comprehensive regional plans, regional visions, and regional

“blueprints.”² Implementation efforts consistent with these objectives that can be sufficiently documented should be given equal consideration with paper plans.

Regional Investment Programs

Regions shall prepare periodic investment programs, identifying the projects and areas to receive infill incentive investments during that period and the amount of each investment. Regular reports shall detail progress on investment programs and the contribution of those programs to documented regional objectives.

Project-Level Criteria

Projects shall be selected for inclusion in an investment program on a competitive basis. In order to qualify for incentive funding, a project must at minimum:

1. Be consistent with documented regional planning objectives and priorities;
2. Be in an infill area (surrounded by existing development and serviced by existing infrastructure, including roads, transit, sewer and water);
3. Be in a location that provides opportunities either through proximity to jobs and services or through transit access to reduce the necessity for lengthy automobile travel;
4. Meet minimum density and affordability requirements as established by the state;
5. Have sufficient entitlements and project financing in place so that construction is underway or can commence upon the receipt of incentive funding and so that construction can be completed within a reasonable time frame.

Overall Regional Performance Metrics

Regions shall identify a set of metrics through which they will track overall regional progress toward the shared objectives and other regional priorities. These metrics will be reported at least every four years coincident with the update of the regional transportation plan. Measurement will enable all levels of government to evaluate the impact of investment decisions and policies and thereby facilitate ongoing adjustments to better achieve the shared objectives.

The use of metrics to monitor progress shall not be confused with a mandate to meet predetermined standards or targets. Public policy can influence, but not control, the millions of individual

² In the Bay Area, the body of relevant documentation may include:

- *The Smart Growth Strategy / Regional Livability Footprint Project* and its “Network of Neighborhoods” regional vision;
- *The Smart Growth Preamble and Policies* adopted jointly by four regional agencies in 2002;
- *The Compact for Sustainable Communities*
- The Transportation for Livable Communities (TLC) and Housing Incentive Program (HIP) initiatives;
- The smart-growth-policy-based *Projections 2003, 2005, and 2007*;
- The Transportation and Land-Use Platform in the 2005 Regional Transportation Plan, *Transportation 2030*;
- The Resolution 3434 Transit-Oriented Development Policy;
- The 2005 Regional Ozone Strategy;
- The 2007 RHNA methodology;
- The Regional Strategy on Climate Change (pending);
- 2007 *FOCUS* Priority Areas (pending).

decisions that ultimately determine regional outcomes.

By way of example, a few key metrics are suggested below. Many others are possible as well. Simultaneously assessing a variety of measures will help avoid the unintended consequences that can arise from focusing too narrowly on only one or two measures.

Transportation and Infrastructure Efficiency

Share of households and jobs within walking distance (1/2 mile) of transit service, employment concentrations and retail centers;

Vehicle miles traveled per household;

Non-automobile mode split.

Affordable Housing Choices

Housing stock and housing flow by affordability category (e.g., market, moderate-income, low-income, and very-low income);

Shares of housing construction in multi-family and single-family structures

Median home prices and rents.

Community Revitalization

Population, household, employment and income distribution by place type;

Local general-fund revenue by place type.

Land Conservation

Annual consumption of previously undeveloped land by type;

Share of land permanently protected.

Protection of the Environment

Greenhouse gas (CO₂) emissions;

PM and NOX emissions.

Conservation of Natural Resources

Daily resource (water and energy) consumption per household.

Quality of Life/Equity

Access to employment and services for households and communities of concern;

Population subject to chronic local environmental toxins.